



4 September 2020

Submission to the Finance Committee of the Welsh Parliament

Inquiry into the implementation of the Wales Act 2014 and operation of the Fiscal Framework

The Australian Parliamentary Budget Office (PBO) welcomes the invitation to make a submission to this inquiry. The PBO is not able to comment on the specifics of the Welsh fiscal environment, however, we have briefly addressed the role of the PBO in Australia's fiscal framework and the conditions which are important for operation of an independent fiscal institution within this framework.

Independent fiscal institutions generally, including the Australian PBO, have contributed to an increased focus on fiscal issues and have improved the transparency of the debate around fiscal matters. The PBO has achieved this by supporting parties to fully cost their policy proposals and by publishing independent research on budget and fiscal policy matters.

In our view, the PBO's success can be attributed to a range of factors including:

- independence and transparency in how we operate
- confidentiality of the requests made to us, our responses and the information we hold
- cooperative relationships with government agencies and access to information
- independent reviews providing opportunities to improve the efficiency and effectiveness of our operations
- our complementary research and costing functions.

The independence and non-partisanship of the PBO, and the ability to work confidentially, are essential characteristics that give parliamentarians the confidence to interact with the PBO as they formulate their policy proposals. These characteristics also enable the PBO to publish analysis of the budget and fiscal policy settings unconstrained by external influences.

The independence of the PBO is enshrined in the *Parliamentary Service Act 1999*. The Parliamentary Budget Officer is appointed by the Presiding Officers¹ of the Parliament, with the approval of a parliamentary oversight committee (the Joint Committee of Public Accounts and Audit (JCPAA)). The JCPAA is also responsible for overseeing the operations and resourcing of the PBO. Further information on the purpose and functions of the PBO is outlined in Attachment A.

¹ The Speaker of the House of Representatives and the President of the Senate together are known as the Parliament's Presiding Officers.

Attachment A: Australian Parliamentary Budget Office

The Australian PBO was established in 2012. It is an independent and non-partisan institution of the Australian Parliament.

The PBO's purpose, independence, confidentiality, accountability and oversight arrangements are set out in the *Parliamentary Service Act 1999*. The PBO's access to information from government agencies is governed by the Australian Government Protocols governing the engagement between Commonwealth bodies and the Parliamentary Budget Officer (the Protocols), and the Memorandum of Understanding between the Parliamentary Budget Officer and the heads of Commonwealth bodies in relation to the provision of information and documents (the MoU).²

Purpose

The purpose of the PBO is articulated in section 64B of the Parliamentary Service Act and comprises three main elements, which are to:

- enable fiscal impacts to be considered during policy development by providing policy costing and budget analysis services to all parliamentarians
- improve public understanding of budget and fiscal policy issues by conducting and publishing research in these areas
- enhance transparency around election commitments by preparing a post-election report on the budget impacts of the election commitments of parliamentary parties.

Functions

The PBO has three core functions: policy costings, research, and reporting on election commitments. More specifically, the PBO:

- provides all parliamentarians with access to advice on the financial implications of their policy proposals, based on the policy specifications they provide. Outside of the caretaker period for an election, parliamentarians may submit requests for policy costings on a confidential basis, in which case both the request and our response are kept in confidence.
- provides parliamentarians with access to information relating to the budget. This can include information such as expenditure on particular programs and more detailed disaggregated information (where available) on specific budget measures.
- responds to requests for assistance from parliamentary committees on issues that fall within its mandate.

² Available at:

https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Budget_Office/Guidance_for_Commonwealth_Agencies

- publishes research which focusses on the fiscal sustainability of the Australian Government budget, particularly over the medium term (ie 10 years). The PBO also seeks, through its publications, to improve budget transparency and promote a better public understanding of the budget and fiscal policy settings.
- publishes a report after each federal election that presents the budget impacts of each of the election commitments of the major parliamentary parties, including their aggregate impact on the fiscal position. This report includes estimates of impacts over the medium term.